

**REPORT OF THE AUDIT OF THE
TAYLOR COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
TAYLOR COUNTY FISCAL COURT**

June 30, 2009

The Auditor of Public Accounts has completed the audit of the Taylor County Fiscal Court for fiscal year ended June 30, 2009.

The combined financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation (Hospital), a discretely presented component unit, and the Taylor County Airport Board (Airport), also a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Taylor County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the aggregate discretely presented component units.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Taylor County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$7,540,526 as of June 30, 2009. The fiscal court had unrestricted net assets of \$1,931,651 in its governmental activities as of June 30, 2009, with total net assets of \$7,518,731. In its business-type activities, total net cash and cash equivalents were \$21,795 with total net assets of \$21,795. The fiscal court's discretely presented component units unrestricted net assets of \$20,896,179 as of June 30, 2009, with total net assets of \$43,061,026. The fiscal court had total debt principal as of June 30, 2009 of \$26,577,072 with \$1,120,044 due within the next year. The discretely presented component units had total debt principal as of June 30, 2009 of \$9,284,960 with \$1,134,467 due within the next year.

Report Comments:

- 2009-01 The Fiscal Court Lacks Adequate Segregation Of Duties Over Animal Shelter Billing And Receipts
- 2009-02 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation Capital Projects And Debt Service Funds
- 2009-03 The Fiscal Court Should Budget And Account For The Detention Center Capital Projects And Debt Service Funds
- 2009-04 The Fiscal Court Should Improve Purchase And Procurement Procedures
- 2009-05 Purchase Orders Should Be Prepared And Approved For All Expenditures
- 2009-06 The Jailer Should Request A Refund Of \$4,951 From The Detention Center's Food Services Vendor For Over Charges Paid To That Vendor During Fiscal Year 2009
- 2009-07 The Jailer Should Collect Sales Tax On Prepaid Phone Cards Sold To Inmates And Submit Monthly To The Kentucky Department Of Revenue

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.

The discretely presented component units' deposits were uninsured and uncollateralized by securities or bonds as follows:

- Discretely presented component unit - Hospital - uninsured and uncollateralized \$376,644

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT.....	1
TAYLOR COUNTY OFFICIALS	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	35
STATEMENT OF NET ASSETS - COMPONENT UNITS	39
STATEMENT OF ACTIVITIES - COMPONENT UNITS	43
NOTES TO FINANCIAL STATEMENTS.....	45
BUDGETARY COMPARISON SCHEDULES	75
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	78
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	81
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	84
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	89
COMMENTS AND RECOMMENDATIONS.....	93
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Eddie Rogers, Taylor County Judge/Executive
Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Taylor County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the combined financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, which represents 98 percent of the assets and revenues of the aggregate discretely presented component opinion units. We also did not audit the financial statements of the Taylor County Airport Board, a discretely presented component unit, which represents 2 percent of the assets and revenues of the aggregate discretely presented component opinion units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, and Taylor County Airport Board, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Taylor County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements of Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, and the Taylor County Airport Board, discretely presented component units of the Taylor County Fiscal Court, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis. The amounts by which these accruals affect the financial statements are not reasonably determinable.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Eddie Rogers, Taylor County Judge/Executive
Members of the Taylor County Fiscal Court

In our opinion, based on our report and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation's combined financial statements and the Taylor County Airport Board's financial statements been prepared using the same basis of accounting as Taylor County, Kentucky, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Taylor County, Kentucky, as of June 30, 2009, and the changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the financial statements. The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylor County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2010 on our consideration of Taylor County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Eddie Rogers, Taylor County Judge/Executive
Members of the Taylor County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2009-01 The Fiscal Court Lacks Adequate Segregation Of Duties Over Animal Shelter Billing And Receipts
- 2009-02 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation Capital Projects And Debt Service Funds
- 2009-03 The Fiscal Court Should Budget And Account For The Detention Center Capital Projects And Debt Service Funds
- 2009-04 The Fiscal Court Should Improve Purchase And Procurement Procedures
- 2009-05 Purchase Orders Should Be Prepared And Approved For All Expenditures
- 2009-06 The Jailer Should Request A Refund Of \$4,951 From The Detention Center's Food Services Vendor For Over Charges Paid To That Vendor During Fiscal Year 2009
- 2009-07 The Jailer Should Collect Sales Tax On Prepaid Phone Cards Sold To Inmates And Submit Monthly To The Kentucky Department Of Revenue

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

August 25, 2010

TAYLOR COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Eddie Rogers	County Judge/Executive
Milford Lowe	Magistrate
John Gaines	Magistrate
Richard Philips	Magistrate
Dr. James Jones	Magistrate
Ed Gorin	Magistrate
Kenneth Minor	Magistrate (7/1/08-11/30/08)
Matt Pendleton	Magistrate (12/1/08-6/30/09)

Other Elected Officials:

Craig Cox	County Attorney
Rick Benningfield	Jailer
Mark Carney	County Clerk
Rodney Burress	Circuit Court Clerk
John Shipp	Sheriff
Julie Shields	Property Valuation Administrator
Terry Dabney	Coroner

Appointed Personnel:

Melissa Williams	County Treasurer
Brian Smothers	Road Foreman
John Harris	Animal Control
George Wilson	DES Coordinator
Donnie Pike	Airport
Kevin Wilson	Chief Deputy Jailer
Cindy Gowin	Jail Office Manager

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,435,147	\$ 21,795	\$ 5,456,942	\$ 10,091,905
Accounts Receivable				9,167,543
Supplies and Inventory				1,084,566
Estimated Third-Party Payor Settlements				2,789,336
Prepaid Expenses and Other Assets				2,391,972
Total Current Assets	5,435,147	21,795	5,456,942	25,525,322
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Land and Land Improvements	3,104,530		3,104,530	478,539
Construction In Progress	20,357,429		20,357,429	627,574
Buildings and Improvements	1,596,968		1,596,968	23,089,696
Other Equipment	885,942		885,942	7,253,998
Vehicles and Equipment	517,026		517,026	
Infrastructure	2,198,761		2,198,761	
Total Noncurrent Assets	28,660,656		28,660,656	31,449,807
Total Assets	34,095,803	21,795	34,117,598	56,975,129
LIABILITIES				
Current Liabilities:				
Financing Obligations Payable	330,044		330,044	
Bonds Payable	790,000		790,000	
Accounts Payable				1,463,783
Accrued Payroll Payable				1,230,258
Accrued Compensated Absences				1,426,565
Minority Interest				508,537
Hospital Current Portion of Long Term Obligations Payable				1,137,467
Total Current Liabilities	1,120,044		1,120,044	5,766,610
Noncurrent Liabilities:				
Financing Obligations Payable	1,047,028		1,047,028	
Bonds Payable	24,410,000		24,410,000	
Hospital Long Term Obligations Payable				8,147,493
Total Noncurrent Liabilities	25,457,028		25,457,028	8,147,493
Total Liabilities	\$ 26,577,072	\$ 0	\$ 26,577,072	\$ 13,914,103

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	\$ 2,083,584		\$ 2,083,584	\$ 22,164,847
Restricted For:				
Debt Service	7,481		7,481	
Capital Projects	3,448,469		3,448,469	
Grant Projects	47,546		47,546	
Unrestricted	1,931,651	21,795	1,953,446	20,896,179
Total Net Assets	<u>\$ 7,518,731</u>	<u>\$ 21,795</u>	<u>\$ 7,540,526</u>	<u>\$ 43,061,026</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,608,218	\$ 137,435	\$ 1,248,620	\$ 245,645
Protection to Persons and Property	1,785,345	563,990	115,055	58,000
General Health and Sanitation	430,031	39,943	77,940	
Social Services	30,155			
Recreation and Culture	126,517	16,775		184,528
Road Facilities	29,375			
Roads	802,273	120,700	1,039,102	
Airports	91,942			
Interest on Long-term Debt	1,102,912			
Capital Projects	196,235			
Total Governmental Activities	8,203,003	878,843	2,480,717	488,173
Business-type Activities:				
Jail Canteen	170,598	192,393		
Total Business-type Activities	170,598	192,393		
Total Primary Government	\$ 8,373,601	\$ 1,071,236	\$ 2,480,717	\$ 488,173
Component Units:				
Taylor County Hospital District/Health Facility Corp.	\$ 56,445,900	\$ 57,119,759	\$	\$
Taylor County Airport Board	164,019	91,291		102,547
Total Component Units	\$ 56,609,919	\$ 57,211,050	\$ 0	\$ 102,547

General Revenues:

Taxes:

Real Property Taxes

Tangible Personal Property Taxes

Occupational Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Contributions

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
\$ (1,976,518)		\$ (1,976,518)	
(1,048,300)		(1,048,300)	
(312,148)		(312,148)	
(30,155)		(30,155)	
74,786		74,786	
(29,375)		(29,375)	
357,529		357,529	
(91,942)		(91,942)	
(1,102,912)		(1,102,912)	
(196,235)		(196,235)	
(4,355,270)		(4,355,270)	
	21,795	21,795	
	21,795	21,795	
(4,355,270)	21,795	(4,333,475)	
			\$ 673,859
			29,819
			703,678
667,072		667,072	
150,435		150,435	993,433
2,907,380		2,907,380	
110,407		110,407	
320,899		320,899	
221,744		221,744	
			271,373
			67,822
468,710		468,710	50,078
4,846,647		4,846,647	1,382,706
491,377	21,795	513,172	2,086,384
7,027,354		7,027,354	40,974,642
\$ 7,518,731	\$ 21,795	\$ 7,540,526	\$ 43,061,026

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

TAYLOR COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	
ASSETS				.
Cash and Cash Equivalents	\$ 1,129,937	\$ 265,362	\$ 537,081	.
Total Assets	<u>1,129,937</u>	<u>265,362</u>	<u>537,081</u>	:
 FUND BALANCES				
Unreserved:				
General Fund	1,129,937			
Special Revenue Funds		253,291	537,081	
Reserved for:				
Capital projects				
Debt Service				
Grant Projects		12,071		.
Total Fund Balances	<u>\$ 1,129,937</u>	<u>\$ 265,362</u>	<u>\$ 537,081</u>	:

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Capital Projects Fund		Debt Service Fund		Non-Major	Total
Public	Detention	Public	Detention	Governmental	Governmental
Properties	Center	Properties	Center	Funds	Funds
\$ 2,564,675	\$ 883,794	\$ 7,234	\$ 247	\$ 46,817	\$ 5,435,147
<u>2,564,675</u>	<u>883,794</u>	<u>7,234</u>	<u>247</u>	<u>46,817</u>	<u>5,435,147</u>
					1,129,937
				11,342	801,714
2,564,675	883,794				3,448,469
		7,234	247		7,481
				35,475	47,546
<u>\$ 2,564,675</u>	<u>\$ 883,794</u>	<u>\$ 7,234</u>	<u>\$ 247</u>	<u>\$ 46,817</u>	<u>\$ 5,435,147</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

Total Fund Balances	\$ 5,435,147
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	30,497,353
Accumulated Depreciation	(1,836,697)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(1,377,072)
Bonds Payable	<u>(25,200,000)</u>
Net Assets Of Governmental Activities	<u>\$ 7,518,731</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
REVENUES			
Taxes	\$ 4,125,869	\$	\$
In Lieu Tax Payments	52,711		
Excess Fees	221,744		
Licenses and Permits	137,435		
Intergovernmental	537,169	1,066,721	601,496
Charges for Services	52,619	120,700	60,646
Miscellaneous	64,408	6,528	114,668
Interest	43,243	17,991	19,588
Total Revenues	<u>5,235,198</u>	<u>1,211,940</u>	<u>796,398</u>
EXPENDITURES			
General Government	1,835,220	14,472	
Protection to Persons and Property	322,447	24,033	1,508,189
General Health and Sanitation	300,780	38,503	
Social Services	14,621		1,405
Recreation and Culture	123,350		
Transportation Facilities and Services		29,375	
Roads		822,037	
Airports	81,299		
Debt Service	144,077	154,887	127,024
Capital Projects	40,590		
Administration	1,446,068	128,225	301,407
Total Expenditures	<u>4,308,452</u>	<u>1,211,532</u>	<u>1,938,025</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>926,746</u>	<u>408</u>	<u>(1,141,627)</u>
Other Financing Sources (Uses)			
Financing Obligation Proceeds			1,000,000
Transfers From Other Funds	976		970,000
Transfers To Other Funds	(970,000)		(708,310)
Total Other Financing Sources (Uses)	<u>(969,024)</u>		<u>1,261,690</u>
Net Change in Fund Balances	(42,278)	408	120,063
Fund Balances - Beginning	1,172,215	264,954	417,018
Fund Balances - Ending	<u>\$ 1,129,937</u>	<u>\$ 265,362</u>	<u>\$ 537,081</u>

The accompanying notes are an integral part of the financial statements.

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Capital Projects Fund		Debt Service Fund		Non-Major	Total
Public	Detention	Public	Detention	Governmental	Governmental
Properties	Center	Properties	Center	Funds	Funds
\$	\$	\$	\$	\$ 964	\$ 4,126,833
					52,711
					221,744
					137,435
		1,102,687		205,485	3,513,558
	540				233,965
115,367	24,775	335	407	284	186,144
115,367	25,315	1,103,022	407	206,733	221,990
					8,694,380
					1,849,692
				4,337	1,859,006
				74,416	413,699
				12,041	28,067
					123,350
					29,375
					822,037
					81,299
		1,102,770	726,333	1,335	2,256,426
6,643,487	1,962,289			155,645	8,802,011
					1,875,700
6,643,487	1,962,289	1,102,770	726,333	247,774	18,140,662
(6,528,120)	(1,936,974)	252	(725,926)	(41,041)	(9,446,282)
					1,000,000
		19	708,310	(375)	1,678,930
(19)		(601)			(1,678,930)
(19)		(582)	708,310	(375)	1,000,000
(6,528,139)	(1,936,974)	(330)	(17,616)	(41,416)	(8,446,282)
9,092,814	2,820,768	7,564	17,863	88,233	13,881,429
\$ 2,564,675	\$ 883,794	\$ 7,234	\$ 247	\$ 46,817	\$ 5,435,147

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**TAYLOR COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

TAYLOR COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (8,446,282)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	9,085,428
Depreciation Expense	(222,808)
Book Value of Disposed Assets	(78,475)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions however, have no effect on net assets.

Debt Issuance	(1,000,000)
Financing Obligations- Short Term	98,925
Financing Obligations Principal Payments	284,589
Bond Anticipation Note Payments	<u>770,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 491,377</u></u>
---	--------------------------

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

TAYLOR COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 21,795
Total Current Assets	<u>21,795</u>
 Total Assets	 <u>21,795</u>
 Net Assets	
Invested in Capital Assets,	
Net of Related Debt	
Unrestricted	21,795
Total Net Assets	<u><u>\$ 21,795</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 112,664
Total Operating Revenues	<u>112,664</u>
Operating Expenses	
Cost of Sales	51,950
Medical	100
Educational and Recreational	7,035
Miscellaneous	<u>5,036</u>
Total Operating Expenses	<u>64,121</u>
Operating Income (Loss)	<u>48,543</u>
Nonoperating Revenues (Expenses)	
Inmate Fees	79,729
Inmate Fees Paid to Fiscal Court	(79,729)
Inmate Pay From State	(1,631)
Inmate Refunds	<u>(25,117)</u>
Total Nonoperating Revenues (Expenses)	<u>(26,748)</u>
Change In Net Assets	21,795
Total Net Assets - Beginning	
Total Net Assets - Ending	<u><u>\$ 21,795</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

TAYLOR COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Received From Customers - Canteen	\$ 112,664
Cash Payments to Suppliers for Goods and Services	(51,950)
Cash Payments for Educational and Recreational Goods and Services	(7,035)
Cash Payments for Medical Expenses	(100)
Cash Payments to Other Sources	(5,036)
Net Cash Provided (Used) by Operating Activities	<u>48,543</u>
Cash Flows From Noncapital Financing Activities	
Cash Received from Customers - Inmate Fees	79,729
Cash Payments to Fiscal Court - Inmate Fees	(79,729)
Cash Payments for Inmate State Pay	(1,631)
Cash Payments for Inmate Refunds	(25,117)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(26,748)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	21,795
Cash and Cash Equivalents - July 1, 2008	<u> </u>
Cash and Cash Equivalents - June 30, 2009	<u>\$ 21,795</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2009

TAYLOR COUNTY
STATEMENT OF NET ASSETS - COMPONENT UNITS

June 30, 2009

	Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 9,997,068	\$ 94,837	\$ 10,091,905
Account Receivable	9,167,543		9,167,543
Supplies and Inventory	1,044,002	40,564	1,084,566
Estimated Third-Party Payor Settlements	2,789,336		2,789,336
Prepaid Expenses and Other Assets	2,391,972		2,391,972
Total Current Assets	<u>25,389,921</u>	<u>135,401</u>	<u>25,525,322</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Improvements	465,539	13,000	478,539
Construction In Progress	627,574		627,574
Buildings and Improvements	22,184,729	904,967	23,089,696
Other Equipment	7,167,970	86,028	7,253,998
Total Noncurrent Assets	<u>30,445,812</u>	<u>1,003,995</u>	<u>31,449,807</u>
Total Assets	<u>55,835,733</u>	<u>1,139,396</u>	<u>56,975,129</u>
Liabilities			
Current Liabilities:			
Accounts Payable	1,442,835	20,948	1,463,783
Accrued Payroll Payable	1,230,258		1,230,258
Accrued Compensated Absences	1,426,565		1,426,565
Minority Interest	508,537		508,537
Hospital Current Portion of Long Term			
Obligations Payable	1,137,467		1,137,467
Total Current Liabilities	<u>5,745,662</u>	<u>20,948</u>	<u>5,766,610</u>
Non Current Liabilities:			
Hospital Long Term Obligations Payable	8,147,493		8,147,493
Total Noncurrent Liabilities	<u>8,147,493</u>		<u>8,147,493</u>
Total Liabilities	<u>13,893,155</u>	<u>20,948</u>	<u>13,914,103</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	21,160,852	1,003,995	22,164,847
Unrestricted	20,781,726	114,453	20,896,179
Total Net Assets	<u>\$ 41,942,578</u>	<u>\$ 1,118,448</u>	<u>\$ 43,061,026</u>

The accompanying notes are an integral part of the financial statements

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - COMPONENT UNITS

For The Year Ended June 30, 2009

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - COMPONENT UNITS

For The Year Ended June 30, 2009

	Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board	Totals
Expenses:			
Operating And Other Expenses	\$ 56,200,398	\$ 164,019	\$ 56,364,417
Interest Expense	245,502		245,502
Total Expenses	<u>56,445,900</u>	<u>164,019</u>	<u>56,609,919</u>
Program Revenues:			
Charges for Services	57,119,759	91,291	57,211,050
Capital Grants And Contributions		102,547	102,547
Total Program Revenues	<u>57,119,759</u>	<u>193,838</u>	<u>57,313,597</u>
Net Program (Expense) Revenue	<u>673,859</u>	<u>29,819</u>	<u>703,678</u>
General Revenues:			
Advalorem Taxes (Tangible Personal Property Taxes)	993,433		993,433
Unrestricted Investment Earnings	269,794	1,579	271,373
Contributions	67,822		67,822
Miscellaneous Revenues	15,178	34,900	50,078
Total General Revenues	<u>1,346,227</u>	<u>36,479</u>	<u>1,382,706</u>
Change in Net Assets	2,020,086	66,298	2,086,384
Net Assets - Beginning	<u>39,922,492</u>	<u>1,052,150</u>	<u>40,974,642</u>
Net Assets - Ending	<u>\$ 41,942,578</u>	<u>\$ 1,118,448</u>	<u>\$ 43,061,026</u>

The accompanying notes are an integral part of the financial statements

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	45
NOTE 2.	DEPOSITS AND INVESTMENTS.....	52
NOTE 3.	CAPITAL ASSETS	57
NOTE 4.	SHORT-TERM DEBT	60
NOTE 5.	LONG-TERM DEBT.....	60
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	68
NOTE 7.	INSURANCE.....	70
NOTE 8.	ACCOUNTS RECEIVABLE (DISCRETELY PRESENTED COMPONENT UNITS).....	71

**TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid, except for depreciation expense, which is recognized on the statement of activities. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements of the primary government.

The combined financial statements of Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, and the Taylor County Airport Board, a discretely presented component unit, are prepared on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of timing. The financial information of the discretely presented component units is included in the combining statement of net assets and statement of activities and presented in a total component unit's column in the government-wide statement of net assets and statement of activities.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Taylor County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Taylor County Public Properties Corporation

The Taylor County Public Properties Corporation was established for the purpose of financing the construction and installation of public projects in furtherance of the proper public purposes of Taylor County. Since the fiscal court has complete authority over this entity this makes it a component unit of the county. The financial information for the Taylor County Public Properties Corporation is blended within Taylor County's financial statements.

Discretely Presented Component Units

The two component unit's columns in the combined financial statements include the data of the combined data of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation and the data of the Taylor County Airport Board. They are reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation

The Taylor County Fiscal Court (Fiscal Court) appoints a voting majority of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation's (Hospital) governing board. The Hospital is a legally separate entity. The Fiscal Court is able to impose its will on the Hospital's governing body and is entitled to any assets if the Hospital is sold. Financial information for the Hospital is presented discretely within Taylor County's financial statements.

Audited combined financial statements for the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, may be requested by contacting the Taylor Regional Hospital, 1700 Old Lebanon Road, Campbellsville, Kentucky 42718.

Taylor County Airport Board

The Taylor County Fiscal Court appoints a voting majority of the Taylor County Airport's (Airport) governing board. The Airport is a legally separate entity. The Fiscal Court is able to impose its will on the Airport's governing body and is entitled to any assets if the Airport is sold. Financial information for the Airport is presented discretely within Taylor County's financial statements.

Audited financial statements for the Taylor County Airport Board, a discretely presented component unit, may be requested by contacting the Taylor County Airport Board, 360 Airport Road, Campbellsville, Kentucky, 42718.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Taylor County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Taylor County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Taylor County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Taylor County Public Properties Corporation Capital Project Fund- This fund accounts for the construction of the Judicial Center. The Taylor County Public Properties Corporation entered into a contract, lease and option with the County and the Administrative Office of the Courts (AOC), Commonwealth of Kentucky.

The Detention Center Capital Projects Fund- This fund accounts for the construction of the Detention Center.

Taylor County Public Properties Corporation Debt Service Fund- This fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest for the Judicial Center.

The Detention Center Debt Service Fund- This fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest for the Detention Center.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Forest Fire Fund, PRIDE Fund, Tebbs Bend Fund, Kentucky Agency on Substance Abuse Prevention Fund, Cemetery Fund, IDA Park Fund, Open Dump Fund, and the Courthouse Square Fund.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Forest Fire Fund, PRIDE Fund, Tebbbs Bend Fund, Kentucky Agency on Substance Abuse Prevention Fund, Cemetery Fund, IDA Park Fund, Open Dump Fund, and the Court Square Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Funds:

The Taylor County Public Properties Corporation Capital Projects Fund and the Detention Center Capital Projects Fund are presented as capital project funds. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities. The Department for Local Government does not require the fiscal court to report or budget the Public Properties Corporation funds.

Debt Service Funds:

The Taylor County Public Properties Corporation Debt Service Fund and the Detention Center Debt Service Fund are presented as Debt Service Funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest. The Department for Local Government does not require the fiscal court to report or budget the Public Properties Corporation funds.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Fund:

The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Presentation of Component Units

The financial statements present the following major discretely presented component units: Combined Taylor County Hospital District and Taylor County Hospital District Facility Corporation, and Taylor County Airport Board.

These component units are presented in separate columns in the combined financial statements. They are also reported on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled as "Component Units" to emphasize these organizations' separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances (if any) are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require formal budgets be adopted for the Public Properties Corporation Capital Projects and Debt Service Funds, and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Joint Venture and Jointly Governed Organizations

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Taylor County Fiscal Court:

Campbellsville-Taylor County Industrial Development Authority
Campbellsville-Taylor County Recreation Board.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based upon these criteria, the following is considered a jointly governed organization of the Taylor County Fiscal Court: Emergency 911 Board.

Note 2. Deposits and Investments

A. Deposits – Primary Government

The primary government (County) maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the deposits of the County may not be returned. The county does not have a written deposit policy but rather follows the requirements of KRS 41.240 (4). As of June 30, 2009, all deposits of the County were covered by FDIC insurance or a properly executed collateral security agreement.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

B. Deposits and Investments – Taylor County Airport Board

There are three categories of credit risk that apply to the government's bank balance:

1. Insured or collateralized with securities held by the government or by the government's agent in the government's name
2. Collateralized with securities held by the pledging financial institution's trust department or the government's agent in the government's name
3. Uncollateralized

	Carrying Amount	Bank Amount
Insured (FDIC) or collateral held by pledging bank securities in Board's name	\$ 94,587	\$ 100,623
Collateralized with securities held by the pledging financial institution's trust department	0	0
Uncollateralized	0	0
	<u>\$ 94,587</u>	<u>\$ 100,623</u>

The Board also has \$250 of cash on hand, which is included in the total amount of Cash on the Statement of Net Assets.

C. Deposits and Investments – Taylor Regional Hospital

Deposits and investments are comprised of the following as June 30, 2009:

Carrying amount	
Cash and cash equivalents	\$ 3,181,798
Interest receivable	46,159
Certificates of deposits	3,946,261
Mutual funds	690,385
Collateralized mortgage obligations	100,813
Corporate bonds	<u>2,031,652</u>
Total	<u>\$ 9,997,068</u>
Included in the consolidated balance sheet captions:	
Cash and cash equivalents	\$ 1,294,595
Assets whose use is limited	<u>8,702,473</u>
	<u>\$ 9,997,068</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

C. Deposits and Investments – Taylor Regional Hospital (Continued)

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. Deposits with financial institutions are insured by the Federal Depositary Insurance Corporation (FDIC) up to FDIC limits. This included any deposit accounts issued or offered by a qualifying financial institution. As of June 30, 2009, the Hospital's bank balances were exposed to custodial credit risk as follows:

Bank balances	\$	2,347,331
Less: FDIC coverage (insured amount)		849,000
Less; Collateralized with pledged securities held in the Hospital's name		<u>1,121,687</u>
Total uninsured and uncollateralized	\$	<u>376,644</u>

Investments are carried at fair market value or cost which approximates fair value. Net realized gains and losses on security transactions are determined on the specific identification basis. As of June 30, 2009, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks or investment companies that are agents of the Hospital:

	Carrying Amount	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 3,946,261	\$ 3,444,798	\$ 501,463	\$	\$
Collateralized mortgage obligation	100,813				100,813
Corporate bonds	2,031,652			47,943	1,983,709
Total	<u>\$ 6,078,726</u>	<u>\$ 3,444,798</u>	<u>\$ 501,463</u>	<u>\$ 47,943</u>	<u>\$ 2,084,522</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

C. Deposits and Investments – Taylor Regional Hospital (Continued)

The Hospital's investment policy, is in compliance with state statutes on the investment of public monies, and authorizes the Chief Executive Officer or Chief Financial Officer to invest according to the schedule below. The schedule below also represents the Hospital's investment policy, which addresses interest rate risk.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Maximum Investment in One Issuer	Maximum Investment Amount	Minimum Investment Amount
Certificates of deposit	5 years	> or = to 50%	\$ 250,000	\$ 250,000	\$ 50,000
U.S. government securities	None	< or = to 50%	None	None	None
Federal agency securities	None	< or = to 50%	None	None	None
Collateralized mortgage obligations	None	< or = to 50%	None	None	None
Insured bonds	None	< or = to 50%	None	None	None
Corporate bonds	None	< or = to 50%	None	None	None

The Hospital's investment policy requires staggered maturities for certificates of deposit with a minimum of 3 percent maturing each quarter and does not allow the Hospital to invest more than the federally insured amount with a bank or other financial institution.

Credit Risk-Investments

Credit risk is the risk that, in the event of a failure of a financial institution, the Hospital would not be able to recover deposits, the value of its investments, or collateral securities that are in the possession of an outside party. Investments are monitored that no more than \$250,000 may be invested with any bank or financial institution, and that investments are Federally Insured to \$250,000. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Further, corporate bonds and Investment grade bonds are restricted to those listing an A to an AAA rating, while insured bonds must be rated at BBB or better as a result of changes to the Hospital's investment policy during fiscal year 2009. However, investments that were acquired prior to the revisions of the investment policy were allowed to remain in the investment portfolio. No more than 10 percent of the Hospital's corporate bond portfolio is allowed to be held by a single user. All other approved investments are restricted to U.S. Government Securities or collateralized borrowings.

Concentration of Credit Risk

The Hospital's investment policy limits the number of certificates of deposit with the same financial institution to two. The investment policy limits the amount of each investment to the federally insured limit with each bank or financial institution.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

C. Deposits and Investments – Taylor Regional Hospital (Continued)

The Hospital's credit risk ratings for investments in debt securities at June 30, 2009 are as follows:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Corporate bonds	A/A1	\$ 43,638
Corporate bonds	A/A2	101,805
Corporate bonds	A/A2/A	236,316
Corporate bonds	A-/A2/A	42,401
Corporate bonds	A/A2/A+	99,028
Corporate bonds	A-/A2/A+	48,617
Corporate bonds	A/A2/AAA	101,072
Corporate bonds	A/A3	41,909
Corporate bonds	A-/A3	79,510
Corporate bonds	A/A3/A	224,477
Corporate bonds	A-/A3/A	82,510
Corporate bonds	A/A3/A+	40,119
Corporate bonds	A-/Baa1	45,551
Corporate bonds	A/Baa2	84,158
Corporate bonds	A/Baa2/BBB	40,685
Corporate bonds	A+/A1/A+	105,606
Corporate bonds	A+/A2/A	101,742
Corporate bonds	A+/Aa3	47,785
Corporate bonds	A+/Aa3/AA-	40,346
Corporate bonds	AA/Aa1	47,943
Corporate bonds	AA/Aa2/AA	83,808
Corporate bonds	AA-/Aaa/AA	46,500
Corporate bonds	AA+/Aa2	85,534
Corporate bonds	BBB/Aaa	46,005
Corporate bonds	BBB-/Ba1/BBB	22,294
Corporate bonds	BBB/Baa1/BBB	89,567
Corporate bonds	CCC	2,726
Collateralized mortgage obligations	Not rated	<u>100,813</u>
		<u>\$ 2,132,465</u>

Kentucky Revised Statutes (KRS) 66.480 authorize the Hospital to invest in repurchase agreements, obligations and contracts for future delivery backed by the full faith and credit of the United States or a United States government agency, obligations of any corporation of the United States government, certificates of deposit, interest-bearing accounts, bankers' acceptances, commercial paper, bonds or certificates of indebtedness of Kentucky and of its agencies, securities issued by a state or local government, and mutual funds.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Primary Government capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,017,141	\$ 87,389	\$	\$ 3,104,530
Construction In Progress	11,751,653	8,605,776		20,357,429
Total Capital Assets Not Being Depreciated	14,768,794	8,693,165		23,461,959
Capital Assets, Being Depreciated:				
Buildings	1,963,686			1,963,686
Other Equipment	1,069,563	257,503	(39,928)	1,287,138
Vehicles and Equipment	1,368,697	2,800	(38,547)	1,332,950
Infrastructure	2,319,660	131,960		2,451,620
Total Capital Assets Being Depreciated	6,721,606	392,263	(78,475)	7,035,394
Less Accumulated Depreciation For:				
Buildings	(346,137)	(20,581)		(366,718)
Other Equipment	(323,315)	(96,591)	18,710	(401,196)
Vehicles and Equipment	(760,304)	(75,879)	20,259	(815,924)
Infrastructure	(184,133)	(68,726)		(252,859)
Total Accumulated Depreciation	(1,613,889)	(261,777)	38,969	(1,836,697)
Total Capital Assets, Being Depreciated, Net	5,107,717	130,486	(39,506)	5,198,697
Government Activities Capital Assets, Net	\$ 19,876,511	\$ 8,823,651	\$ (39,506)	\$ 28,660,656

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 61,876
Protection to Persons and Property	53,893
General Health and Sanitation	3,683
Social Services	2,088
Recreation and Culture	3,167
Roads, Including Depreciation of General Infrastructure Assets	126,427
Airport	10,643
Total Depreciation Expense - Governmental Activities	<u>\$ 261,777</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity for discretely presented component units (Hospital and Airport) for the year ended June 30, 2009 was as follows:

Discretely Presented Component Unit Taylor County Hospital District/Health Facility Corporation (Hospital)				
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 465,539	\$	\$	\$ 465,539
Construction in Progress	856,681	1,746,341	(1,975,448)	627,574
Total Capital Assets Not Being Depreciated	1,322,220	1,746,341	(1,975,448)	1,093,113
Capital Assets, Being Depreciated:				
Buildings	38,301,064	24,684	462,781	38,788,529
Equipment	23,972,974	1,163,256	(1,301,744)	23,834,486
Total Capital Assets Being Depreciated	62,274,038	1,187,940	(838,963)	62,623,015
Less Accumulated Depreciation For:				
Buildings and Improvements	(15,389,124)	(2,044,539)	829,863	(16,603,800)
Equipment	(16,003,636)	(2,643,388)	1,980,508	(16,666,516)
Total Accumulated Depreciation	(31,392,760)	(4,687,927)	2,810,371	(33,270,316)
Total Capital Assets, Being Depreciated, Net	30,881,278	(3,499,987)	1,971,408	29,352,699
Capital Assets, Net	\$ 32,203,498	\$ (1,753,646)	\$ (4,040)	\$ 30,445,812

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

	Discretely Presented Component Unit			
	Taylor County Airport Board			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 13,000	\$	\$	\$ 13,000
Total Capital Assets Not Being Depreciated	<u>13,000</u>			<u>13,000</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	1,158,960	28,997		1,187,957
Equipment	<u>276,049</u>	<u>76,180</u>	<u>(31,500)</u>	<u>320,729</u>
Total Capital Assets Being Depreciated	<u>1,435,009</u>	<u>105,177</u>	<u>(31,500)</u>	<u>1,508,686</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(240,757)	(42,232)		(282,989)
Equipment	<u>(259,400)</u>	<u>(6,801)</u>	<u>31,500</u>	<u>(234,701)</u>
Total Accumulated Depreciation	<u>(500,157)</u>	<u>(49,033)</u>	<u>31,500</u>	<u>(517,690)</u>
Total Capital Assets, Being Depreciated, Net	<u>934,852</u>	<u>56,144</u>		<u>990,996</u>
Capital Assets, Net	<u>\$ 947,852</u>	<u>\$ 56,144</u>	<u>\$ 0</u>	<u>\$ 1,003,996</u>

Depreciation expense was charged to functions of the discretely presented major component units as follows:

Taylor County Hospital District/Health Facility Corporation	\$ 4,687,927
Taylor County Airport Board	<u>49,033</u>
Total Depreciation Expense - Component Units	<u>\$ 4,736,960</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Short-term Debt

- A. In February 2008, Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a Mac truck for \$98,925. The lease was paid in full in July 2008.
- B. In August 2008, Taylor County Fiscal Court participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$658,350, with principal being due in January 2009. Of the funds, \$579,550 was allocated to the General Fund and \$78,800 was allocated to the Road Fund. While the county did not use the borrowed funds in order to meet current General Fund and Road Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$1,791 and \$358 in the General Fund and Road Fund respectively.
- C. Changes in Short-term Liabilities

Short-term activity for the year ended June 30, 2009 was as follows:

Primary Government:	Beginning			Ending	Due Within
Governmental Activities:	Balance	Additions	Reductions	Balance	One Year
Kentucky Advance					
Revenue Program	\$ -	\$ 658,350	\$ 658,350	\$ -	\$ -
Financing Obligations	98,925		98,925	-	
Governmental Activities					
Long-term Liabilities	\$ 98,925	\$ 658,350	\$ 757,275	\$ -	\$ -

Note 5. Long-term Debt

Primary Government

A. Fire Truck

On April 4, 2001, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a fire truck. The principal was \$215,138 at a variable percent interest rate for a period of 10 years, interest and principal paid monthly. Principal outstanding as of June 30, 2009 was \$50,138. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 25,000	\$ 1,983
2011	25,138	732
	<u>\$ 50,138</u>	<u>\$ 2,715</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

B. Land Acquisition

On June 16, 2003, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of land. The principal was \$175,000 at a fixed 3.08 percent interest rate for a period of 10 years; principal is paid annually on January 20th with interest paid monthly. Principal outstanding as of June 30, 2009 was \$76,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 18,000	\$ 2,651
2011	19,000	1,939
2012	19,000	1,206
2013	20,000	454
	<u>\$ 76,000</u>	<u>\$ 6,250</u>

C. E911 Upgrade

On March 23, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an E911 upgrade. The principal was \$61,949 at a variable interest rate for a period of 15 years; principal and interest is paid monthly. Principal outstanding as of June 30, 2009 was \$43,682. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 3,875	\$ 1,593
2011	3,994	1,444
2012	4,116	1,294
2013	4,242	1,137
2014	4,371	975
2015-2019	23,084	2,272
	<u>\$ 43,682</u>	<u>\$ 8,715</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

D. Dump Truck

On November 24, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a dump truck. The principal was \$72,220 at a variable interest rate for a period of 6.5 years; principal is paid annually on July 20th with interest paid monthly. Principal outstanding as of June 30, 2009 was \$32,220. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 10,000	\$ 905
2011	10,000	522
2012	12,220	41
	<u>\$ 32,220</u>	<u>\$ 1,468</u>

E. Jail Vehicle

On April 19, 2006, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a van for the Jail. The principal was \$19,650 at an interest rate of 4.25% for a period of 5 years; principal is paid annually on January 20th with interest paid monthly. Principal outstanding as of June 30, 2009 was \$7,650. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 4,000	\$ 433
2011	3,650	201
	<u>\$ 7,650</u>	<u>\$ 634</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

F. E911 Communication Equipment

On August 9, 2007, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of E911 communication equipment. The principal was \$209,895 at an interest rate of 4.08% for a period of 5 years; principal is paid annually on July 20th with interest paid monthly. Principal outstanding as of June 30, 2009 was \$169,895. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 40,000	\$ 3,803
2011	40,000	3,750
2012	45,000	2,085
2013	44,895	164
	<u>\$ 169,895</u>	<u>\$ 9,802</u>

G. Sheriffs Vehicles

On March 20, 2008, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of 3 vehicles for the Sheriff. The principal was \$77,000 at an interest rate of 4.25% for a period of 3 years; principal is paid annually on December 20th with interest paid monthly. Principal outstanding as of June 30, 2009 was \$18,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 18,000	\$ 326
	<u>\$ 18,000</u>	<u>\$ 326</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

H. Road Grader

On August 9, 2007, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a road grader. The principal was \$100,500 at an interest rate of 4.162% for a period of 5 years; principal is paid annually on July 20th with interest paid monthly. Principal outstanding as of June 30, 2009 was \$80,500. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 20,000	\$ 2,344
2011	20,000	1,807
2012	20,000	1,061
2013	20,500	84
	<u>\$ 80,500</u>	<u>\$ 5,296</u>

I. General Obligation Bonds, Series 2007

On February 20, 2007, Taylor County fiscal Court issued \$11,000,000 General Obligation Bonds, Series 2007 for the purpose of constructing a Detention Center. The bonds mature serially through September 1, 2033 and require annual principal payments due on September 1 with the first payment due September 1, 2008. Semi-annual payments of interest at a variable interest rate between 3.5% and 4.25% are due on March 1 and September 1 of each year with the first payment due March 1, 2008. Bonds outstanding as of June 30, 2009 were \$10,735,000. Future principal and interest payments are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 270,000	\$ 451,970
2011	280,000	442,345
2012	290,000	432,225
2013	305,000	421,477
2014	315,000	410,121
2015-2019	1,760,000	1,854,525
2020-2024	2,160,000	1,459,054
2025-2029	2,705,000	915,903
2030-2033	2,650,000	244,863
	<u>\$ 10,735,000</u>	<u>\$ 6,632,483</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

J. First Mortgage Revenue Bonds, Series 2007

On September 12, 2007, Taylor County Fiscal Court issued \$14,970,000 First Mortgage Revenue Bonds, Series 2007 for the purpose of constructing a Judicial Center. The bonds mature serially through September 1, 2027 and require annual principal payments due on September 1 with the first payment due September 1, 2008. Semi-annual payments of interest at a variable interest rate between 3.75% and 4.30% are due on March 1 and September 1 of each year with the first payment due March 1, 2008. Bonds outstanding as of June 30, 2009 were \$14,465,000. Taylor County Fiscal Court has entered into a sublease agreement with the Administrative Office of the Courts (AOC), which states that the AOC agrees to pay the debt service requirements. Future principal and interest payments are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 520,000	\$ 578,551
2011	540,000	558,676
2012	565,000	537,958
2013	585,000	516,395
2014	605,000	494,083
2015-2019	3,420,000	2,082,694
2020-2024	4,185,000	1,319,064
2025-2028	4,045,000	357,437
	<u>\$ 14,465,000</u>	<u>\$ 6,444,858</u>

K. Detention Center Facility

On September 2, 2008, the Taylor County Fiscal Court entered into an agreement with the Kentucky Associations of Counties Leasing Trust Program to finance the construction, acquisition and equipping of a new detention center. The principal was \$500,000 at a variable interest rate for a period of five years; principal and interest is paid monthly. Principal outstanding as of June 30, 2009 was \$430,986. Future lease and principal and interest payments requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 95,168	\$ 14,977
2011	98,897	12,389
2012	102,773	8,388
2013	106,800	3,958
2014	27,348	279
	<u>\$ 430,986</u>	<u>\$ 39,991</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

L. Detention Center Facility

On February 9, 2009, the Taylor County Fiscal Court entered into an agreement with the Kentucky Associations of Counties Leasing Trust Program to finance the construction, acquisition and equipping of a new detention center. The principal was \$500,000 at a variable interest rate for a period of five years; principal and interest is paid monthly. Principal outstanding as of June 30, 2009 was \$468,000. Future lease and principal and interest payments requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 96,000	\$ 16,272
2011	96,000	13,914
2012	105,000	10,035
2013	108,000	5,517
2014	63,000	1,126
	<u>\$ 468,000</u>	<u>\$ 46,864</u>

M. Changes in Long-Term Debt - Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 11,000,000	\$	\$ 265,000	\$ 10,735,000	\$ 270,000
Revenue Bonds	14,970,000		505,000	14,465,000	520,000
Financing Obligations	661,661	1,000,000	284,589	1,377,072	330,044
Governmental Activities					
Long-term Liabilities	<u>\$ 26,631,661</u>	<u>\$ 1,000,000</u>	<u>\$ 1,054,589</u>	<u>\$ 26,577,072</u>	<u>\$ 1,120,044</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

Discretely Presented Component Units:

N. Taylor County Hospital District/Health Facility Corporation - Note Payable and Capital Lease

In November 2002, the Taylor County Hospital District/Health Facility Corporation (Hospital) entered into a Loan Agreement with Taylor County Fiscal Court (Issuer) and Community Trust Bank (Lender), to borrow an amount not to exceed \$10,000,000. The draws on the loan have been and will continue to be used for the construction of a Hospital expansion, which includes an ER renovation, an ICU addition, a wing two and three addition, a central plant addition, and helipad relocation. The amount drawn on the loan equaled \$10,000,000 with interest rates ranging from 3.018 percent to 5.05 percent. Total monthly payments are calculated each December for a year to ensure the loan is paid off by November 2022. Interest only payments are required until November 30, 2004; at which point principal payments began being paid and will continue through November 15, 2022. Interest expense on the note payable totaled \$245,502 for fiscal year 2009. The Hospital is required to maintain a debt coverage ratio of 1.25:1.00. Note payable outstanding for the Hospital as of June 30, 2009, was \$8,552,933.

The Hospital's outstanding capital leases as of June 30, 2009 were \$732,027.

Principal payments on all Hospital long-term debt for the next five years and thereafter are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	899,858	197,715
2011	926,015	171,928
2012	827,662	146,498
2013	723,727	128,498
2014	740,605	111,620
2015-2019	3,970,289	290,832
2020-2024	464,777	3,410
Totals	<u>\$ 8,552,933</u>	<u>\$ 1,050,501</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

Discretely Presented Component Units:

O. Changes in Long-Term Debt - Discretely Presented Component Units

Hospital Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loan Agreement	\$ 8,590,721	\$	\$ 617,975	\$ 7,972,746	\$ 674,997
Note Payable	795,140		214,953	580,187	224,861
Capital Lease	860,230	87,500	215,703	732,027	237,609
Governmental Activities					
Long-term Liabilities	<u>\$ 10,246,091</u>	<u>\$ 87,500</u>	<u>\$ 1,048,631</u>	<u>\$ 9,284,960</u>	<u>\$ 1,137,467</u>

Note 6. Employee Retirement System

A. Primary Government

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$219,879, FY 2008 was \$301,386, and FY 2009 was \$322,157.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Employee Retirement System (Continued)

B. Taylor Regional Hospital

Defined Benefit Pension Plan

Plan Description

The Taylor County Hospital District Health Facility Pension Plan (the Plan) is a single employer defined benefit pension plan administered by the Principal Mutual Life Insurance Company covering substantially all of the Hospital's employees. The Plan provided retirement, disability, and death benefits to plan participants and beneficiaries. The Hospital reserves the right to amend the Plan at any time. If the Plan is terminated, the plan assets will be distributed among the Plan participants based upon a priority allocation procedure. The Hospital would then be liable for any unfunded vested benefits to the extent required by law.

Funding Policy

The contributions of the Hospital to the Plan meet the minimum funding requirements established by the Plan. The entire cost of the plan is borne by the Hospital. Therefore, active plan members are not required to contribute to the plan. The Hospital is required to contribute at actuarially determined amounts.

Annual Pension Cost and Net Pension Obligation

The Hospital's annual pension cost and net pension obligation of the Plan for the year ended June 30, 2009 were as follows:

Annual required contribution	\$1,005,653
Interest on net pension obligation	(15,660)
Adjustment to annual required contribution	<u>18,028</u>
Annual pension cost	1,008,021
Contributions made	<u>(1,077,468)</u>
(Increase) decrease in net pension asset	(69,447)
Net pension (asset), beginning of year	<u>(223,713)</u>
Net pension (asset), end of year	<u><u>\$ (293,160)</u></u>

The annual required contributions for the year ended June 30, 2009 and estimated liabilities as of January 1, 2009 were determined as part of the actuarial valuations using the projected unit credit actuarial cost method. The actuarial assumptions used at January 1, 2009 were as follows:

Investment rate of return	7%
Projected salary increases (retirement plan only)	4%
Discount rate	7%

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Employee Retirement System (Continued)

B. Taylor Regional Hospital (Continued)

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. The same actuarial assumptions were used to determine the actuarial value required contributions for 2009. The unfunded actuarial accrued liability is being amortized as a level dollar amount in accordance with ERISA amortization periods.

Three-year Trend Information			
Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Asset
6/30/2007	783,527	106.1%	(169,589)
6/30/2008	879,716	106.2%	(223,713)
6/30/2009	1,008,021	106.9%	(293,160)

Schedule of Funding Progress
(Dollars in thousands)

Valuation Date	1/1/2007	1/1/2008	1/1/2009
Actuarial Valuation Plan Assets	\$ 8,712	\$ 10,213	\$ 11,207
Actuarial Accrued Liability	\$ 10,309	\$ 11,669	\$ 13,258
Total Unfunded Actuarial Accrued Liability (Funding Excess) UA	\$ 1,597	\$ 1,456	\$ 2,050
Funded Ratio	84.5%	87.5%	84.5%
Annual Covered Payroll	\$ 17,362	\$ 19,935	\$ 20,423
UAAL (FE) as a Percentage of Covered Payroll	9.2%	7.3%	10.0%

Defined Contribution Pension Plan

The Hospital sponsors a 403(b) retirement savings plan that covers all employees who work over 1,000 hours a year. The employees may contribute compensation amounts up to the limits established in the plan with a maximum of 2 percent being matched by the Hospital at a rate of 50 percent. For the year ended June 30, 2009, the amount of pension expense relating to this plan was \$100,186.

Note 7. Insurance

For the fiscal year ended June 30, 2009, Taylor County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 8. Accounts Receivable (Discretely Presented Component Units)

A. Taylor County Hospital District/Health Facility Corporation

Patient accounts receivable reported as current assets at June 30, 2009 consist of the following:

Medicare	\$ 11,963,786
Medicaid	4,168,676
Anthem/Blue Cross	3,623,645
Other Insurance Carriers	4,975,588
Private Pay	<u>8,301,223</u>
Total Patient Account Receivable	\$ 33,032,918
Less: Allowance for Contractual Discounts	(16,990,771)
Less: Allowance for Uncollectible Amounts	<u>(6,874,604)</u>
Total Patient Account Receivable, Net	<u>\$ 9,167,543</u>

B. Taylor County Airport Board

The entity extends short-term credit to its established customers as a convenience. Based on management's review of accounts receivable, no allowance for doubtful accounts is considered necessary.

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,954,500	\$ 4,123,085	\$ 4,125,869	\$ 2,784
In Lieu Tax Payments	28,000	28,000	52,711	24,711
Excess Fees	150,000	221,744	221,744	
Licenses and Permits	90,000	129,637	137,435	7,798
Intergovernmental Revenue	137,835	530,913	537,169	6,256
Charges for Services	44,000	54,379	52,619	(1,760)
Miscellaneous	32,200	66,231	64,408	(1,823)
Interest	20,000	37,797	43,243	5,446
Total Revenues	4,456,535	5,191,786	5,235,198	43,412
EXPENDITURES				
General Government	1,761,370	2,160,087	1,835,220	324,867
Protection to Persons and Property	417,040	333,219	322,447	10,772
General Health and Sanitation	243,400	322,223	300,780	21,443
Social Services	27,800	15,521	14,621	900
Recreation and Culture	166,075	148,911	123,350	25,561
Airports	78,475	81,546	81,299	247
Debt Service		727,550	723,627	3,923
Capital Projects	25,800	40,740	40,590	150
Administration	1,602,160	1,809,029	1,446,068	362,961
Total Expenditures	4,322,120	5,638,826	4,888,002	750,824
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	134,415	(447,040)	347,196	794,236
OTHER FINANCING SOURCES (USES)				
Financing Proceeds		581,341	579,550	(1,791)
Transfers From Other Funds			976	976
Transfers To Other Funds	(970,000)	(970,000)	(970,000)	
Total Other Financing Sources (Uses)	(970,000)	(388,659)	(389,474)	(815)
Net Changes in Fund Balance	(835,585)	(835,699)	(42,278)	793,421
Fund Balance - Beginning	835,585	835,699	1,172,215	336,516
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,129,937	\$ 1,129,937

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,047,325	\$ 1,086,845	\$ 1,066,721	\$ (20,124)
Charges for Services		120,700	120,700	
Miscellaneous	92,000	97,464	6,528	(90,936)
Interest	10,000	16,599	17,991	1,392
Total Revenues	1,149,325	1,321,608	1,211,940	(109,668)
EXPENDITURES				
General Government	14,900	14,900	14,472	428
Protection to Persons and Property		24,033	24,033	
General Health and Sanitation	28,500	38,893	38,503	390
Transportation Facilities and Services	35,000	35,000	29,375	5,625
Roads	881,825	889,712	822,037	67,675
Debt Service		258,056	233,687	24,369
Administration	189,100	240,172	128,225	111,947
Total Expenditures	1,149,325	1,500,766	1,290,332	210,434
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		(179,158)	(78,392)	100,766
OTHER FINANCING SOURCES (USES)				
Financing Proceeds		79,158	78,800	(358)
Total Other Financing Sources (Uses)		79,158	78,800	(358)
Net Changes in Fund Balance		(100,000)	408	100,408
Fund Balance - Beginning		100,000	264,954	164,954
Fund Balance - Ending	\$ 0	\$ 0	\$ 265,362	\$ 265,362

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,223,500	\$ 1,224,887	\$ 601,496	\$ (623,391)
Charges for Services	18,500	69,205	60,646	(8,559)
Miscellaneous	347,500	434,352	114,668	(319,684)
Interest	21,063	29,284	19,588	(9,696)
Total Revenues	1,610,563	1,757,728	796,398	(961,330)
EXPENDITURES				
Protection to Persons and Property	1,598,082	1,846,099	1,508,189	337,910
Social Services		1,405	1,405	
Debt Service	837,333	603,746	127,024	476,722
Administration	645,148	537,891	301,407	236,484
Total Expenditures	3,080,563	2,989,141	1,938,025	1,051,116
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(1,470,000)	(1,231,413)	(1,141,627)	89,786
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	500,000	987,746	1,000,000	12,254
Transfers From Other Funds	970,000	970,000	970,000	-
Transfers To Other Funds		(726,333)	(708,310)	18,023
Total Other Financing Sources (Uses)	1,470,000	1,231,413	1,261,690	30,277
Net Changes in Fund Balance				
			120,063	120,063
Fund Balance - Beginning			417,018	417,018
Fund Balance - Ending	\$ 0	\$ 0	\$ 537,081	\$ 537,081

TAYLOR COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of Budgetary Basis to Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds - Modified Cash Basis:**

General Fund

Total Expenditures-Budgetary Basis	\$ 4,888,002
Kentucky Advance Revenue Program	<u>(579,550)</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 4,308,452</u></u>
Other Financing Sources (Uses) - Budgetary Basis	\$ (389,474)
Kentucky Advance Revenue Program	<u>(579,550)</u>
Total Other Financing Sources (Uses) - Modified Cash Basis	<u><u>\$ (969,024)</u></u>

Road Fund

Total Expenditures-Budgetary Basis	\$ 1,290,332
Kentucky Advance Revenue Program	<u>(78,800)</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 1,211,532</u></u>
Other Financing Sources (Uses) - Budgetary Basis	\$ 78,800
Kentucky Advance Revenue Program	<u>(78,800)</u>
Total Other Financing Sources (Uses) - Modified Cash Basis	<u><u>\$ 0</u></u>

**TAYLOR COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

TAYLOR COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Local Government Economic Assistance Fund	Forest Fire Fund	Kentucky Agency On Substance Abuse Prevention Fund	Open Dump Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 10,808	\$ 534	\$ 13,390	\$ 22,085	\$ 46,817
Total Assets	<u>10,808</u>	<u>534</u>	<u>13,390</u>	<u>22,085</u>	<u>46,817</u>
FUND BALANCES					
Unreserved:					
Special Revenue Funds	10,808	534			11,342
Reserved for:					
Grant Projects			13,390	22,085	35,475
Total Fund Balances	<u>\$ 10,808</u>	<u>\$ 534</u>	<u>\$ 13,390</u>	<u>\$ 22,085</u>	<u>\$ 46,817</u>

The accompanying notes are an integral part of the financial statements

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	Forest Fire Fund	PRIDE Fund	Tebbs Bend Fund
REVENUES				
Taxes	\$	\$ 964	\$	\$
Intergovernmental	7,278			
Interest	282	2		
Total Revenues	<u>7,560</u>	<u>966</u>		
EXPENDITURES				
Protection to Persons and Property	3,037	1,300		
General Health and Sanitation			4,499	
Social Services				4,447
Debt Service				
Capital Projects				
Total Expenditures	<u>3,037</u>	<u>1,300</u>	<u>4,499</u>	<u>4,447</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>4,523</u>	<u>(334)</u>	<u>(4,499)</u>	<u>(4,447)</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	4,523	(334)	(4,499)	(4,447)
Fund Balances - Beginning	6,285	868	4,499	4,447
Fund Balances - Ending	<u>\$ 10,808</u>	<u>\$ 534</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements

TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Kentucky Agency On Substance Abuse Prevention Fund	Cemetery Fund	IDA Park Fund	Open Dump Fund	Courthouse Square Fund	Total Non-Major Governmental Funds
\$ 16,600	\$	\$ 155,645	\$ 24,252	\$ 1,710	\$ 964
					205,485
					284
<u>16,600</u>		<u>155,645</u>	<u>24,252</u>	<u>1,710</u>	<u>206,733</u>
					4,337
			69,917		74,416
7,573	21				12,041
				1,335	1,335
		<u>155,645</u>			<u>155,645</u>
<u>7,573</u>	<u>21</u>	<u>155,645</u>	<u>69,917</u>	<u>1,335</u>	<u>247,774</u>
<u>9,027</u>	<u>(21)</u>		<u>(45,665)</u>	<u>375</u>	<u>(41,041)</u>
				(375)	(375)
				(375)	(375)
9,027	(21)		(45,665)		(41,416)
4,363	21		67,750		88,233
<u>\$ 13,390</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,085</u>	<u>\$ 0</u>	<u>\$ 46,817</u>

The accompanying notes are an integral part of the financial statements

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Eddie Rogers, Taylor County Judge/Executive
Members of the Taylor County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated August 25, 2010 wherein we issued a qualified opinion on the aggregate discretely presented component units and made reference to the reports of other auditors. Taylor County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation and the Taylor County Airport Board as described in our report on Taylor County, Kentucky's financial statements. This report does not include the results of the other auditor's testing of internal control over financial or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Taylor County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Taylor County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Taylor County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations as items 2009-01, 2009-02, 2009-04, 2009-05, and 2009-06 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-02 to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Taylor County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of material noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2009-03 and 2009-07.

The Taylor County Judge/Executive's and the County Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen
Auditor of Public Accounts

August 25, 2010

**TAYLOR COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2009

TAYLOR COUNTY COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2009

FINANCIAL STATEMENT FINDINGS

2009-01 The Fiscal Court Lacks Adequate Segregation Of Duties Over Animal Shelter Billing And Receipts

The Fiscal Court lacks adequate segregation of duties over animal shelter billing and receipts.

Adequate segregation of duties would prevent the same person or persons from having a significant role in the billing, receiving, recording, and reporting of receipts. Lack of segregation of duties increases the Fiscal Court's risk of misappropriation of assets, errors, and inaccurate financial reporting.

The Fiscal Court does not have written internal control policies and procedures in place over animal shelter billing to other counties, collection of receipts, reporting, and transferring monies to the County Treasurer.

Because a lack of segregation of duties existed over animal shelter billing and receipts the following occurred during fiscal year 2009:

- Animal shelter prepared and mailed monthly billing invoices to other counties for housing animals without any review or oversight from the Fiscal Court and or the County Treasurer.
- Animal shelter received checks from other counties for housing animals without any oversight from the Fiscal Court and or the County Treasurer.
- Checks received from other counties were not turned over to the County Treasurer timely one being held for up to two months.
- Animal shelter was allowed to accept and hold checks from customers at their request and retained some for up to four weeks before turning over to the County Treasurer.
- Animal shelter does not maintain a receipts ledger only a manual receipt book.
- Animal shelter does not prepare any activity reports to inform the Fiscal Court or the County Treasurer.
- No restrictive endorsement is placed on incoming checks until the County Treasurer receives and prepares the deposit.
- Custody of cash is inadequate: Cash and Checks are retained during office hours in a locked cash box located under the counter in the office. Three employees and the director have access to this box. The cash box is housed overnight in a lock filing cabinet located in the office which is also locked after office hours. However, during office hours the animal shelter employs jail inmates, community service workers, and volunteers who all have access to the office.

We recommend that the Fiscal Court develop and implement internal control policies and procedures relating to billing other counties to house animals, collection of receipts, reporting, and transferring monies to the County Treasurer. We also recommend that the animal shelter report to the Fiscal Court at least on a monthly basis the number of adoptions, licenses sold, donations received, and animals housed for other counties. In addition all checks received from customers should be immediately stamped with a restrictive endorsement "for deposit only Taylor County Fiscal Court" to prevent anyone other than the county from cashing it.

County Judge Executive's Response: I recognize the importance of segregation of duties. Due to having a small staff at the animal shelter, it is hard; but we do our best to continue working on internal controls.

TAYLOR COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-02 The Fiscal Court Should Maintain Proper Records For The Public Properties Corporation Capital Projects And Debt Service Funds

Since the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation (PPC), this entity is reported as a blended component unit of the Fiscal Court. During our review of cash we noted the Fiscal Court did not maintain ledgers for receipts and disbursements, did not prepare bank reconciliations, and did not prepare financial statements for fiscal year ended June 30, 2009 on the PPC's two major funds (capital projects fund and debt service fund).

We recommend that the Fiscal Court prepare and maintain ledgers for receipts and disbursements of the PPC capital projects fund and the PPC debt service fund. We also recommend that bank reconciliations be prepared monthly on all PPC bank accounts. We further recommend that the Fiscal Court prepare end of the year financial statements on the PPC's capital projects fund and PPC debt service fund.

County Judge Executive's Response: A financial company was hired to oversee both the Judicial and Detention Center projects. We acted on their advice as well as Department for Local Government's direction. I recommend that the Public Properties Corporation elect someone to keep these records.

2009-03 The Fiscal Court Should Budget And Account For The Detention Center Capital Projects And Debt Service Funds

During our review of cash and bank accounts, we noted the Detention Center Capital Projects and Debt Service Funds were not budgeted and not included on the county's 4th quarterly financial report.

KRS 68.240 requires the County Judge/Executive to annually prepare a proposed budget for the expenditure of all funds, which are to be expended by the fiscal court in the next fiscal year.

The Fiscal Court was unaware that these funds were required to be budgeted since the funds were handled by a third party financial institution. That financial institution would receive vendor payment requests, write the checks for vendor payments, and forward the checks to the County Treasurer. County Treasurer made copies of the checks and then forwarded them to the vendors.

As a result the Fiscal Court is not in compliance with KRS 68.240. For fiscal year 2009 the Capital Projects Fund had unbudgeted receipts and expenditures of \$25,315 and \$1,962,289, respectfully. The Debt Service Fund had unbudgeted receipts and expenditures of \$407 and \$18,023, respectfully. The Fiscal Court did budget \$708,310 of the debt service payments in the county's Jail Fund. Auditor's reclassified these payments as a transfer to the Detention Center Debt Service Fund because the debt service payments were actually paid from the Detention Center Debt Service Fund.

We recommend that in the future the Fiscal Court should budget all county funds that are required to be budgeted in compliance with KRS 68.240.

County Judge Executive's Response: This project was reported as part of our audit. The Department for Local Government did not advise us to include this in our budget. We report to and follow their advice.

Auditor's reply: While the Department for Local Government does not require formal budgets for the Capital Projects and Debt Service Funds of a Public Properties Corporation, the Capital Projects and Debt Service Funds of the county are required to be budgeted.

TAYLOR COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-04 The Fiscal Court Should Improve Purchase And Procurement Procedures

We tested a total of one hundred-fifteen (115) expenditures from all of the Fiscal Court's budgeted funds and noted the following exceptions:

- Thirty-seven (37) purchases did not have a purchase order issued.
- All vendor invoices did not have a purchase order affixed as supporting documentation.
- One (1) invoice for election maintenance and repairs was missing, there being only a handwritten memo for election maintenance and repairs used.
- One (1) vendor payment was from a vendor statement with no invoices to support that statement.
- Five (5) payments made to vendors were duplicate payments.
- One (1) vendor payment for road materials was missing scale tickets to support vendor invoice.
- Three (3) vendor payments for road materials were missing road delivery tickets to support vendor invoices.
- Two (2) vendor payments for a gas card did not include supporting receipts for gas purchases.
- One (1) travel voucher reimbursed to a county employee did not include detailed information to support travel expenses.

Good internal controls dictate that adequate original supporting documentation be maintained for all receipts and disbursements. All original vendor invoices should be maintained including any supporting documentation. All purchase orders should be approved and issued for all purchases except payroll and utilities, purchase orders should be printed and attached to the corresponding vendor invoice, and both cancelled upon payment. All purchase orders should be approved and issued before the purchases are made or the work or service is performed.

Lack of proper accounting practices and internal control increase the risk that misstatements of financial activity and/or the misappropriation of assets will occur and go undetected by the Fiscal Court. Without proper procedures in place to mitigate this risk, the Fiscal Court is exposing public resources to potential misstatements and/or misappropriation.

We recommend the Fiscal Court maintain all original vendor invoices including any supporting documentation, approve and issue purchase orders before purchases are made or the work or service is performed, and cancel all original vendor invoices when paid to avoid duplicate payments.

County Judge Executive's Response: We will implement the auditor's suggestions and will be in compliance with these suggestions.

TAYLOR COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-05 Purchase Orders Should Be Prepared And Approved For All Expenditures

During our test of expenditures, we noted purchase orders were not issued for the majority of expenditures for fiscal year 2009. Of the purchase orders that were issued the secretary/finance officer only issues a number and does not printout the purchase order. A computer purchase order listing was prepared but not all expenditures received a purchase order and the listing did not include the date claim was reviewed by Fiscal Court and date paid.

Per the Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual, issued by the Department for Local Government (DLG) “purchases shall not be made prior to approval by the County Judge/Executive (or designee) or department head. Purchase requests shall indicate proper appropriation account number to which the claim will be posted. Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made”. In addition, a purchase order journal (listing) should contain a “daily, chronological listing of all purchase orders issued. The listing is the book of original entry for all county purchases. The journal should indicate the PO number, issue approved by appropriation account code to where the payment will be posted, vendor name, date invoice received, amount of invoice, date claim reviewed by fiscal court, date paid, and amount paid.”

We recommend an approved purchase order be obtained and printed prior to items being ordered or services received to determine if adequate funds and budget appropriations are available for the purchase. All cancelled purchase orders should to be printed and attached to the related cancelled vendor invoices. We also recommend that purchase orders and the purchase order listing include all the necessary information to ensure compliance with the Department for Local Government Policy Manual.

County Judge Executive's Response: Purchase orders are now required for all purchases over one hundred dollars.

2009-06 The Jailer Should Request A Refund Of \$4,951 From The Detention Center's Food Services Vendor For Over Charges Paid To That Vendor During Fiscal Year 2009

During our testing of jail fund expenditures for vendor food services, we noted during the months of February, March, April, May, and June 2009, the vendor overcharged approximately \$4,951 for meals it served to inmates in the detention center.

The detention center food services vendor contract agreement stipulates that the cost per meal is based upon the population of inmates being served. As the inmate population increases the price per meal decreases as follows:

Inmate Population of 125-174 cost per meal per inmate \$1.23
 Inmate Population of 175-199 cost per meal per inmate \$1.18
 Inmate Population of 200-217 cost per meal per inmate \$1.13

In February 2009 the inmate population level increased to a level that would cause the cost per meal to decrease.

TAYLOR COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-06 The Jailer Should Request A Refund Of \$4,951 From The Detention Center's Food Services Vendor For Over Charges Paid To That Vendor During Fiscal Year 2009
 (Continued)

The Jailer reviews and approves all invoices received at the detention center then submits to the Secretary/Finance Officer for payment. Auditor's review of vendor invoices determined that the vendor did not include inmate population data to support charges. The Jailer's review did not compare amounts charged with detention center inmate population data to determine if the amounts were reasonable.

As a result food vendor invoices were not in compliance with the vendor contract agreement resulting in overpayment of goods and services.

We recommend that the Jailer contact the food services vendor and request a refund or credit. We further recommend that all food services invoices contain inmate population data to support charges.

County Judge Executive's Response: I will work with the Jailer and will help him implement the auditor's suggestions.

County Jailer's Response: Full reimbursement has been paid back to the Taylor County Detention Center from the food services vendor. The refund amount was \$4,951 from February 2009 – June 2009. Additional payment in the amount of \$1,981 was received for July 2009 – August 2009. Total received being \$6,932. We have requested to receive inmate population data along with the invoices so we can be sure we are being charged the correct amount.

2009-07 The Jailer Should Collect Sales Tax On Prepaid Phone Cards Sold To Inmates And Submit Monthly To The Kentucky Department Of Revenue

During our review of the Jail Canteen receipts, we noted that during fiscal year 2009 the Jailer sold prepaid phone cards to inmates. Sales tax of 6% was collected on the majority of these sales however; sales tax was not remitted to the Kentucky Department of Revenue. Prepaid phone card monies collected were deposited to the jail canteen and then were submitted at least monthly to the county treasurer who deposited them into the county's Jail fund.

KRS 139.540 requires that sales taxes are due and payable to the Kentucky Department of Revenue "monthly and shall be remitted on or before the twentieth (20th) day of the next succeeding month." KRS 139.550 requires a monthly return "(1) On or before the twentieth day of the month following each calendar month, a return for the preceding month shall be filed with the department in a form the department may prescribe. (2) For the purposes of sales tax, a return shall be filed by every retailer or seller. ... (3) Returns shall be signed by the person required to file the return or by a duly authorized agent but need not be verified by oath. (4) The return shall show the amount of taxes for the period covered by the return and other information the department deems necessary for the proper administration"

TAYLOR COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2009-07 The Jailer Should Collect Sales Tax On Prepaid Phone Cards Sold To Inmates And Submit Monthly
 To The Kentucky Department Of Revenue
 (Continued)

This is the first year of operation for the detention center and the Jailer and his staff were under the impression that the vendor they were purchasing the prepaid phone cards from was taking care of the taxes.

As a result the Jailer is not in compliance with KRS 139.540 and 139.550.

We recommend that the Jailer contact the Kentucky Department of Revenue to determine the proper procedures necessary to start submitting sales tax to the state. We also recommend that the Jailer or his office administrator determine how much sales tax was collected during fiscal year 2009 and notify the County Treasurer of the amount to be paid to the Kentucky Department of Revenue out of the county's jail fund. We further recommend that all sales tax be collected on prepaid phone cards sold to inmates, recorded as a separate line item in the Jail canteen daily checkout sheets and receipts ledger and submit the taxes with a return to the Kentucky Department of Revenue on a monthly basis at the direction of that department.

County Judge Executive's Response: We applied and received a Kentucky Sales Tax Number. These taxes have been submitted to the State.

County Jailer's Response: The Vendor for the calling cards told us that they were responsible for collecting and sending in the sales tax. This is incorrect, we applied for a sales tax number and have received it and we will be making quarterly payments on the phone cards sold. We are in the process of getting the sales tax paid back for the year 2009. We will be sending in that money to the Kentucky State Treasurer within the next couple of weeks.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**


TAYLOR COUNTY FISCAL COURT

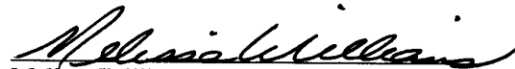
**For The Fiscal Year Ended
June 30, 2009**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
TAYLOR COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Taylor County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Eddie Rogers
Taylor County Judge/Executive


Melissa Williams
Taylor County Treasurer

